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RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUEHGV/USMISSION GENEVA 1531
RUEHVEN/USMISSION USOSCE 3582
RUCNDT/USMISSION USUN NEW YORK 2973
RUEHNO/USMISSION USNATO BRUSSELS BE
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SUBJECT: AMBASSADOR VISITS KYRGYZSTAN,S LARGEST GOLD MINE
AND FOREIGN INVESTMENT

REF: BISHKEK 491

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¶1. (SBU) SUMMARY: On August 24-25, Ambassador visited the majority Canadian-owned Kumtor gold mine. Located on the southern shore of Lake Issyk-Kul approximately two hours away from Bishkek, the Kumtor mine is the largest foreign investment in Kyrgyzstan, with total investment valued close to USD 1 billion. The mine uses U.S.-made large earth moving equipment, including several 150-ton Caterpillar dump trucks. From the Ambassador's observations, Kumtor is treating both workers and the environment relatively well, while providing economic opportunities and significant government revenues to Kyrgyzstan. The Kyrgyz Government's attitude toward Kumtor, unfortunately, has been adversarial despite the benefits for the country. END SUMMARY.

Supplying the Mine

¶2. (U) In company with the Turkish and Korean Ambassadors, and guided by Kumtor President Robert Wunder, Ambassador visited the majority Canadian-owned Kumtor gold mine on the southern shore of Lake Issyk-Kul on August 24-25. After passing high-altitude medical checks, the group assembled in Bishkek and traveled to Kumtor's marshalling yard, about two hours away on the Western edge of Lake Issyk-Kul. The yard is where supplies are loaded onto U.S.-manufactured Mack trucks for the last stage of the trip to the mine, located high in the Ala Too mountains.

¶3. (SBU) Apart from the trucks, the predominant features of the marshalling yard are huge stacks of drums of cyanide, ammonium nitrate, and diesel fuel. When the Ambassador noted that those ingredients could be combined into a large and poisonous bomb, Wunder responded they are conscious of the security risks, and that the yard has 39 guards. He allowed, however, that they generally worry more about the possibility that their own staff will appropriate the ammonium nitrate

for its more common use, as fertilizer.

Balls of Steel (and also Lime)

14. (SBU) Wunder said that in spite of the Kyrgyz Government's pressure to use more local sources, the cupidity and incompetence of local businessmen is pushing them in the opposite direction. Until recently, Kumtor bought the lime and steel balls needed to process the ore from local companies, but they had recently terminated the relationships due to many problems. Their lime supplier had demanded, and received, a large advance payment to increase production capacity, but after a company executive ran off with the payment, the company declined to honor the contract without additional compensation. Similarly, their Kyrgyz supplier of steel balls was the lowest bidder, but after the company successfully delivered one container of balls on time and at the stipulated price, they began delaying shipments and attempting to raise the price. In both cases, Kumtor turned away from the chutzpah of their Kyrgyz suppliers, and developed relationships with Russian ones, who are performing well.

It Wasn't the Poison, It Was the Antidote

15. (U) From the marshalling yard, it takes two hours of switchbacks on unpaved roads to reach the mine's entry point. In spite of the 7,000 roundtrips that the marshalling yard's 35 Mack trucks make every year, Kumtor does not believe it is cost effective to pave the road linking the two facilities, although they have regraded sections of it. Conditions on the road are far from ideal: Traveling in a convoy raises so

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much dust that the Ambassador's driver became disoriented at one point, and had to stop until he could see. The risk posed by limited visibility is not so much a fender bender, but rather bumbling off the 100-foot drop-off on the downhill side of the road.

16. (SBU) Pointing out the site of a 1998 cyanide spill, Kumtor President Wunder doubted that limited visibility had played a role. Kumtor's investigation found that the driver simply fell asleep and drove off a bridge, spilling his load of liquid cyanide into the Bokonbayeva River. Wunder said that the subsequent illnesses of downstream villagers were not the result of the cyanide, but rather the results of the atropine shots the government had inadvisably administered. Acknowledging that spilling cyanide into rivers is unlikely to win Kyrgyz friends, Wunder listed the safety measures Kumtor has taken since the accident, including banning the transportation of cyanide in liquid form, and rebuilding most of the bridges in between the mine and the marshalling yard.

Mining at the Edge of the World

17. (U) At 4,400 meters on the edge of the pit, the Ambassadors were at the historical high point of the mine, then, according to Wunder, the highest gold mine in the world. Mining activity has now chewed up several hundred meters of vertical rock, so that the active digging takes place some distance below the high point. The scale of the pit was not apparent until the Ambassador saw a mining explosion below, and did not hear the accompanying boom for several seconds. From the heights overlooking the pit, the Ambassadors were taken to a tunnel burrowing underneath it, where Kumtor is constructing a tunnel that will allow them to verify how deep below the surface the gold deposits extend.

18. (U) Wunder said that the mine has to process 26 tons of rock to isolate 4 ounces of gold, about the amount in a man's wedding ring. At frequent intervals, heavily guarded and armored Brinks trucks lumber up to the mine to take its

gleanings back to a bank in Bishkek.

Mine Workers Unite!

¶9. (U) A tour of the workers' living accommodations brought to light an interesting aspect of Kumtor's labor relations policy: Rather than segregation of the sexes, all of the workers sleep together in barracks-type buildings. While Wunder did not say that Kumtor encourages the formation of sexual relationships between workers, he did note that there is no anti-fraternization policy. As happens not infrequently, workers who become pregnant are offered three months wages when they leave, and Kumtor will hold their jobs for them for up to five years.

¶10. (U) The Ambassador managed to speak with several Kyrgyz workers away from her Kumtor minders, and for people living in barracks on the side of a mountain, morale was surprisingly high. They universally and enthusiastically said that they liked their jobs, and they liked the pay even better.

Comment: Strangling the Goose

¶11. (SBU) Perhaps scarred by years of bad press and fears of nationalization (reftel), Kumtor executives seem to operate in a permanent defensive crouch. At every turn, they lauded their safety and environmental accomplishments, while explaining that the underlying problems hadn't really been their fault. They monitor the glaciers around the mine, and

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have documented that they are receding, but are quick to point out that the cause is climate change, not mining activity. With surprising enthusiasm, they describe their plans for wrapping up operations by 2025, but before the question can even be raised, begin describing their plans to help local villages wean themselves from economic dependence on the mine before it closes.

¶12. (SBU) From what the Ambassador observed, Kumtor is treating both workers and the environment relatively well, while providing economic opportunities and significant government revenues to Kyrgyzstan. It is unfortunate that the Kyrgyz Government's attitude to Kumtor has generally been akin to strangling the goose, which not only cuts down on the golden egg production, but also scares away other geese.
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